

IRVIN CORLEY, JR.
FISCAL ANALYST
(313) 224-1076

City of Detroit
CITY COUNCIL
FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: cc-fiscal@ci.detroit.mi.us

ANNE MARIE LANGAN
ASSISTANT FISCAL ANALYST
(313) 224-1078

TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Director

DATE: December 11, 2006

RE: Transfer of Jurisdiction and Sale of Surplus Property Development:
Parcel 432 per Salvation Army-Kroc Corps Community Center
Project **(Departmental Report), Line Item 25 on today's calendar**

Introduction

The Planning and Development Department (PDD) currently has a resolution before your Honorable Body requesting authorization to:

1. To allow Recreation to transfer jurisdiction of Parcel 432 to PDD and consider the land "surplus" property.
2. To enter into a Development Agreement with the Salvation Army to consent to the sale of Parcel 432-Chandler Park property for \$10 for development of playfields on said property associated with the development of the Ray and Joan Kroc Corps Community Center.

In accordance with the Development Agreement, pre-conditions must occur (Master Plan modification, environmental assessment, etc.) before final sales transaction takes place.

Project Description

The Kroc Corps Community Center project entails the construction of a state-of-the-art facility to meet the recreational, educational, social and spiritual needs of the people. The project would be located on the eastside of Detroit at Conner and Frankfort Street.

The center would include an indoor pool, senior adult lounge, childcare facility, teen room, tutoring/mentoring conference rooms, classrooms, arts & crafts facility, and a gymnasium and fitness area and dance studio. The center would be built on approximately 18 acres of land the Salvation Army recently purchased from the Detroit Housing Commission.

On the approximate 11 acres of Chandler parkland from the sale if Council approves the sale, playfields would be developed, involving two baseball fields and three soccer/football fields.

Total project cost minimally is \$20,000,000, and could cost \$35,000,000. The Salvation Army hopes an endowment of \$50,000,000 is established to support an annual operational budget of approximately \$3,100,000. In addition, it is hoped that the Kroc Foundation would support the project with a gift of \$50,000,000. A local fund raising campaign would raise the additional funds to make this project a success.

Price of Chandler Park (Parcel 432) Land Sale

PDD proposes to sale this land for \$10. PDD's rationale for this price is as follows:

- The Kroc Corps Community Center project could cost \$20 to \$35 million.
- The Chandler Park portion will only contain play fields and green space, which is consistent with the current use of the land.
- The physical structure of the facility will be located on the DHC property.
- The Kroc Corps Community Center would employ a minimum of 111 employees with an annual operating budget of \$3.5 million.

PDD indicated that appraisals for both the 11-acre Chandler Park site and the 18-acre Detroit Housing Commission site were prepared in January 2006. The Chandler Park site appraised at \$640,000, and the DHC site at \$1.2 million.

If the Council approves this project, the City would not pay for any site clean up or infrastructure improvements. There should not be any major environmental clean-up costs since the Chandler Park site is recreational land, however. But typically, the City participates in infrastructure improvements for major economic development projects. Therefore, an "adjusted" price could be derived if infrastructure improvement borne by the developer were considered (per the attached project budget summary):

Chandler Park site appraised value	\$640,000
Less infrastructure costs borne by the Salvation Army:	
Turn lanes	(\$11,300)
Curb & gutter replacement	(\$40,300)
Traffic signal	(\$100,700)
ROW sidewalk, landscape	(\$110,800)
Upgrades to ROW storm, water, waste	(\$113,300)
Street Lighting	(\$19,100)
	<u>(\$395,500)</u>

Adjusted Chandler Park site price

\$244,500

It could be argued, therefore, that the City should receive approximately \$245,000 for the Chandler Park site.

However, it is also important to note that even though the DHC site appraised at \$1.2 million, the DHC agreed to sell the 18-acre site to the Salvation Army for only \$10. Apparently, the DHC felt the overall benefits of the project outweighed the loss of \$1.2 million from the sales transaction.

Although \$245,000 is better than \$10, I feel the Council should strongly consider the sales price of \$10, because of the overall benefits of the project to the community in this part of the City.

In addition, assuming the average wage is \$25,000, 111 jobs should generate about \$69,000 annually for the City in income taxes. This means the City would get back the \$245,000 in about 3.5 years.

I should note, however, that PDD's assertion that 111 jobs would be generated does comport to the preliminary plans brought to the Council last year, which indicated that 21 permanent jobs would be created. Therefore, Council needs to see the documentation supporting the projection of 111 jobs.

Information for Council's Consideration

I feel Council should receive the following documents/information before taking action on PDD's resolution:

1. Correspondence from the Director of the Recreation Department that Parcel 432 is surplus to its needs and its request that PDD assume jurisdictional control over the property.
2. Copy of Development Plan dated July 26, 2006.
3. PDD indicated that the Kroc Corps Community Center would employ a minimum of 111 employees. However, the preliminary plans received by Council in November 2005 indicated total permanent jobs to total 21. Please provide support for the higher number of projected jobs.
4. A copy of January 2006 appraisals for the 11 acre Chandler Park site and the 18 acre Detroit Housing Commission site.
5. Land purchase agreement between the DHC and the Salvation Army.
6. Assurance that HUD has approved the land sale between the DHC and the Salvation Army.

Attachment

ICJ:\ICORLEY\Salvation Army Kroc Corps Community Center Project 2006.doc

cc: Council Divisions
Auditor General's Office
Douglass Diggs, PDD Director
Roger Short, CFO
Pamela Scales, Budget Director
Kandia Milton, Mayor's Office



TSA Eastern Michigan-Ray and Joan Kroc Corps Community Center

PROJECT BUDGET SUMMARY

Date: 06/28/05

Revised: 05/23/06

Project Component	Quantity	Unit Cost	Cost
1. FACILITY CONSTRUCTION			\$12,854,365
Building Construction (No Site)	53,233 SF	\$241	\$12,854,365 See BRS Draft Facility Program
2. OFF-SITE CONSTRUCTION			\$395,672
Accel / Decel / Turn lanes	100 LF	\$113	\$11,334 15ft wide
Public streets through site	0 LF	\$290	\$0 Assume none
Curb & Gutter replacement	1,600 LF	\$25	\$40,298 New C&G along Connor and Frankfort
Traffic signal	0 EA	\$251,860	\$100,744 Assume reprogramming of existing signal
ROW sidewalk, landscape	1,600 LF	\$69	\$110,818 15 ft wide @ \$4-5/sf
Upgrades to ROW storm, water, waste	1,000 LF	\$113	\$113,337 Assume 1000 LF total
Street Lighting	4 EA	\$4,785	\$19,141 Assume four new fixtures
Earthwork / Retaining Wall	0 LF	\$57	\$0 Assume none
3. SITE CONSTRUCTION (30 acre site)			\$6,096,715
Wetlands Mitigation	0 LS		\$0
Overlot Grading & Prep	13,924 CY	\$5	\$64,879 Ave cut/fill of 3-6ft x 1 acres outside bldg
Parking Lot & Internal Drives	402 cars	\$1,864	\$749,765 asphalt paving, curb & gutter
Access Drive	800 LF	\$151	\$120,893 24ft wide w/ curb
Fire Lane	800 LF	\$71	\$56,417 12ft wide, no curb
Entry plazas	8,000 SF	\$6	\$46,342 scored grey concrete
Sidewalks	3,000 LF	\$18	\$52,891 5ft wide
Water & Sewer extensions to Building	1,000 LF	\$47	\$46,594 total length & cost for both
Fire Loop & 4 hydrants	1,400 LF	\$58	\$81,099
Storm Collection, Drainage, Storage	1 LS	\$100,000	\$100,000 Piping, pond, structures
Parking & Pedestrian Lighting	24 EA	\$4,093	\$98,225 std cut-off parking, plaza bollards
Site Signage & Furniture	1 LS	\$25,000	\$25,000 Allowance
Landscaping & Irrigation	1 LS	\$3	\$2,331,310 585,000 sf x \$3/sf ave
Sports Fields	420,000 SF	\$4	\$1,680,000 One each, baseball, softball, soccer
Park & Active Recreation Improvements	1 Allow	\$30,000	\$30,000
Decorative Fence	1,800 LF	\$180	\$324,000 Wrought iron fence along Connor and Frankfort
Perimeter Security Fence	2,700 LF	\$15	\$40,500 Security fence around balance of site
Walking Trail	31,680 SF	\$4	\$118,800 Crusher fines with edging around site perimeter
Pool Backwash structures	1 Allow	\$30,000	\$30,000 Allowance
Misc Site Costs	1 LS	\$100,000	\$100,000 Allowance
4. OTHER PROJECT DEVELOPMENT COSTS			\$3,292,123
Land Purchase			\$10 Land purchase from City of Detroit
Public Art Allocation			\$0 None assumed
Professional Fees			\$1,562,282 7.0% of Bldg, Off-Site, Site, Contingency
FFE - Furniture, Fixtures & Equipment			Allowance for furniture, rec equip, misc
Emergency Generator	1 EA	\$250,000	\$250,000 Allowance for emergency generator
Kitchen Equipment	1 EA	\$160,000	\$160,000 Allowance for equipment and hood
Exercise Equipment	3,500 SF	\$65	\$227,500 Allow \$65 per s.f. of fitness
General FF&E	53,233 SF	\$10	\$532,332 Allow \$10 per s.f. of building
Plant Investment / Tap Fees			\$200,000 Allowance for water, sewer, other util. fees
Construction testing & Survey			\$150,000 Soils & Materials testing, land survey
Reimbursable Expenses			\$150,000 Document printing, deliveries, travel
Plan Review Fees			\$60,000
Sales Tax			None assumed
5. SUB-TOTAL ALL PROJECT COSTS			\$22,638,875
6. CONTINGENCY		11%	\$2,361,595 Does not include FFE items
7. GRAND-TOTAL ALL PROJECT COSTS			\$25,000,469
8. Unit Cost (\$/SF) incl items 1,2,3,6	\$408		
9. Unit Cost (\$/SF) incl items 1,6	\$281		

Cost Items Not Included:

Import / Haulaway of of structural fill, Owner's Representative, Legal fees

BARKER RINKER SEACAT



in association with Neumann Smith and Ghafari